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SUBJECT: GOVERNOR LEMBO DISCUSSES POST-ELECTION POLITICAL LANDSCAPE

REF: (A) SAO PAULO 899; (B) SAO PAULO 675;
(C) SAO PAULO 532

SENSITIVE BUT UNCLASSIFIED - PLEASE PROTECT ACCORDINGLY

SUMMARY

¶1. (SBU) During a lunch with the CG, Sao Paulo Governor Lembo predicted that President Lula will face some opposition from within his own party, and expressed concern that if Lula has difficulty sustaining a majority in Congress, he might resort to populist rhetoric, though probably not populist action. Lembo and his foreign affairs advisor, Ambassador Adalnio Senna, said Lula's choice of Under Secretary Antonio Patriota to be Ambassador to the U.S. was a sign that Lula will try to engage the U.S. more during his second term. Senna noted that Patriota is eminently qualified as well as extremely close, both personally and professionally, to FM Amorim. With respect to state politics, Lembo expressed satisfaction that he will be able to turn the state government over to his successor in "perfect" financial condition. He opined that Governor-elect Jose Serra is not a leftist, as many observers allege, but rather "a regulator and an enforcer" who will provide good government for the state. Lembo intimated that things are not going well for his own Liberal Front Party (PFL) but implied that the party will continue to ally with Serra's Social Democracy Party of Brazil (PSDB). He dismissed media reports that Serra was attempting to create a new center-left party. End Summary.

¶2. (SBU) Consul General (CG) invited departing Governor Claudio Lembo and his foreign affairs advisor, Ambassador Adalnio Senna Ganem, to lunch at the Residence to observe the impending end of Lembo's term in office. The 71-year-old Lembo assumed the governorship on April 1 when Geraldo Alckmin resigned to run for President and is due to depart on December 31. During his term as Lieutenant Governor and later Governor, he has been a key contact and resource for the Consulate, especially on anti-piracy issues. He was instrumental in establishing the Sao Paulo State Anti-Piracy Committee and in bringing Governors from other states together to discuss piracy during the visit of Commerce Secretary Gutierrez (ref B). Lembo, who is known for his candid and sometimes politically incorrect utterances, is also a shrewd observer of the state and national political scene.

PFL INTERNAL PROBLEMS

13. (SBU) Lembo indicated that he plans to return to teach at Mackenzie University, where he used to be Rector, but also hopes to continue to have a voice and some influence in politics. He noted that things are not going well for the PFL, which lost ground in this year's election. Historically strong in the northeast, the PFL has been weakened by the declining influence of the "colonels" or regional bosses who used to deliver votes. However, Lembo also said that "the colonels have changed" and that in many places representatives of Lula's Workers Party (PT) have replaced the old PFL "caciques." Lembo noted that Senator Jorge Bornhausen (PFL from Santa Catarina in the south), who did not seek re-election this year, will also soon retire as President of the PFL and will be replaced by Sao Paulo Mayor Gilberto Kassab. (Note: Lembo, who has contentious relations with Bornhausen, has been quoted in the press as suggesting he might leave the PFL for another party if Bornhausen stays on. End Note.) While not saying so directly, he implied that the PFL will remain allied with the Social Democracy Party of Brazil (PSDB).

14. (SBU) With respect to the PSDB, Lembo did not expect Minas Gerais Governor Aécio Neves to be the party's candidate for President in 2010. He was not explicit, but made a vague, unelaborated reference to Neves's private life being a possible obstacle. He seemed more sanguine about the chances of Sao Paulo Governor-elect Jose Serra. Lembo dismissed press reports that Serra intends to create a new center-left political party, predicting that Serra would remain in the PSDB. He also thought Tasso Jereissati would continue as PSDB President.

SAO PAULO 00001202 002 OF 003

LULA'S SECOND-TERM CHALLENGES

15. (SBU) President Lula will face a number of challenges, Lembo said. His immediate priority will be creating a sustainable majority in Congress, which will require extensive courting of the centrist Brazilian Democratic Movement Party (PMDB), a process which is already underway. Lula will be helped to some extent by the Barrier Clause, under which numerous small parties will disappear or be merged into others, leaving fewer parties, more rationally organized, to negotiate with. But Lula's Workers Party will be less influential in the second term, a reality that will exacerbate the existing tension between Lula and some elements of the PT, especially the social movements on the left. And Lembo expressed concern that if he should be unable to sustain a majority, Lula might adopt a more populist posture. However, he thought Lula might resort to populist rhetoric but not undertake populist actions. At heart, he said, Lula remains a petit bourgeois, which is another reason the leftist elements in the PT are dissatisfied with him. Lembo opined that Chief of the Civil Household Dilma Rousseff, whom he characterized as the most able of the people close to Lula, would be a viable candidate to succeed him in 2010.

POSITIVE SIGNAL ON BILATERAL RELATIONS

16. (SBU) Asked how the U.S. could best engage Lula during his second term, Lembo acknowledged that this would be difficult, but not impossible. Both he and Ambassador Senna opined that by proposing MFA Under Secretary Antonio Patriota as the next Ambassador to the U.S., Lula was sending a signal that he wants to strengthen relations. Senna, who served both former Governor Alckmin and Lembo as foreign affairs adviser and informally advised Alckmin's presidential campaign, characterized Patriota as not only eminently capable and experienced but also as extremely close to FM Celso Amorim. There is probably nobody in the MFA Amorim trusts more, Senna stressed, noting that Patriota is the only official Amorim will sign papers for without even looking at them.

¶7. (SBU) For his part, Ambassador Senna has been named Consul General in Atlanta and is looking forward to taking up his new post. However, the Atlanta Consulate cannot open until the question of disposition of USG diplomatic property in Brazil is resolved. He noted that the MFA has approved the proposed agreement and forwarded it to the President's office. Once the President approves the proposal, it will be sent to Congress for ratification. Lembo said Senna, who is pragmatic and has worked trade issues at the governor's palace, would be in a good position in Atlanta to identify new opportunities to expand trade and investment.

HIGH HOPES FOR SERRA'S GOVERNMENT

¶8. (SBU) On the state level, Lembo said he and his staff had completed a review of state government operations and that everything is ready for Governor-elect Serra to take over on January ¶1. In particular, he asserted that the finances are in perfect order. Serra, he continued, is extremely well-prepared for the governorship. Contrary to popular opinion, Serra is not a leftist, but rather a "regulator" and an enforcer. The most important issues he will face are public security, the state penitentiary system, and the youth corrections system (formerly FEBEM, now CASA). It will be interesting, Lembo commented, to see how Serra handles public security, since he has been uncomfortable around police since his days as President of the National Students' Union (UNE) in the 1960s, when he was arrested for leading a demonstration and spent time in jail in Sao Paulo. (Note: During the military dictatorship, Serra was in exile in Chile and later the United States. End Note.) When Lembo, after the election, took him to meet the commander of the state military police, Serra was visibly nervous, he said.

¶9. (SBU) Lembo noted that former Justice Minister Aloysio Nunes Ferreira had declined the position of State Secretary for Public Security. The most likely candidate now, he said, is prominent

SAO PAULO 00001202 003 OF 003

criminal attorney and former military police officer and prosecutor Ronaldo Marzagao, who served in the Secretariat under Governor Andre Franco Montoro and in the Justice Ministry in the Sarney administration (1985-89). Public Security will be a key position in Serra's government because of the continuing challenges posed by the organized criminal group First Capital Command (PCC) (ref C). (Note: On November 20, Governor-elect Serra announced a number of appointments, including Marzagao to the Public Security post and Nunes Ferreira as Chief of the Civil Household. He also announced that, based on Lembo's recommendation, Antonio Ferreira Pinto would stay on as Secretary for Prison Administration. Pinto was named to the post in June in the aftermath of the mid-May PCC-led prison riots. End note.)

¶10. (SBU) Concerning other appointments, Lembo said that Lieutenant Governor (and long-time Federal Deputy and PSDB leader) Alberto Goldman would serve as Secretary of Transportation. Guilherme Afif Domingos, President of the Sao Paulo Chamber of Commerce, will likely be named Secretary of Labor. Afif Domingos is a state PFL leader who narrowly lost his Senate race to incumbent Eduardo Suplicy (PT).

¶11. (SBU) Lembo considers it very likely that Mayor Gilberto Kassab will seek re-election in 2008, most likely against PT former Mayor Marta Suplicy (2001-04), who lost her own bid for re-election to Serra and who has been mentioned as a possible Lula successor. But he noted that the PSDB's unsuccessful presidential candidate, Geraldo Alckmin, may also want to run for Mayor, since "he has nothing else to do." Assuming the PSDB-PFL alliance holds together, which at this point appears likely, at least at the state level, Kassab and Alckmin cannot both run, creating a difficult and delicate situation which Serra will have to mediate.

COMMENT

¶12. (SBU) Lembo, who was the target of vocal public criticism during and after the May wave of PCC-orchestrated violence, appeared relaxed and content with leaving office in Serra's able hands. He will likely continue to exercise influence within the PFL, especially if Bornhausen does retire. We were struck by Ambassador Senna's enthusiastic comments on the proposed appointment of Patriota as ambassador to the U.S., especially since Senna seems to have a more conservative and pragmatic view of foreign policy orientation than the current MFA leadership. However, one former Ambassador to the U.S. was less sanguine. He said Patriota, while personally loyal to FM Amorim, is unknown in the Brazilian business community, which will limit his ability to promote stronger commercial ties, at least initially. According to this source, Patriota could be expected to "deliver the mail" in Washington but would have no influence in shaping policy. End Comment.

¶13. (U) This cable was coordinated/cleared with Embassy Brasilia.

MCMULLEN